

**House Study Bill 544 - Introduced**

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE  
ON EDUCATION BILL BY  
CHAIRPERSON WENDT)

**A BILL FOR**

1 An Act relating to the school budget review committee by  
2 modifying its membership and by modifying the committee's  
3 duties related to school district unusual financial  
4 circumstances.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 257.2, Code 2009, is amended by adding  
2 the following new subsection:

3 NEW SUBSECTION. 13. *“Unexpended fund balance”* means a  
4 school district’s fund balance in the general fund not expended  
5 during the budget year, as such unexpended fund balance is  
6 reported on the certified annual report pursuant to section  
7 291.10.

8 Sec. 2. Section 257.30, subsection 1, Code Supplement 2009,  
9 is amended to read as follows:

10 1. A school budget review committee is established in  
11 the department of education and consists of the director  
12 of the department of education in an ex officio, nonvoting  
13 capacity, the director of the department of management, and  
14 ~~three~~ four members who are knowledgeable in the areas of  
15 Iowa school finance or public finance issues appointed by  
16 the governor to represent the public. At least one of the  
17 public members shall possess a master’s or doctoral degree in  
18 which areas of school finance, economics, or statistics are  
19 an integral component, or shall have equivalent experience in  
20 an executive administrative or senior research position in  
21 the education or public administration field. The members  
22 appointed by the governor shall serve staggered three-year  
23 terms beginning and ending as provided in section 69.19 and are  
24 subject to senate confirmation as provided in section 2.32.  
25 The committee shall meet and hold hearings each year and shall  
26 continue in session until it has reviewed budgets of school  
27 districts, as provided in section 257.31. The committee may  
28 call in school board members and employees as necessary for  
29 the hearings. The committee’s scheduled hearing agendas and  
30 the minutes of such hearings shall be posted on the department  
31 of education’s internet ~~website~~ site. Legislators shall be  
32 notified of hearings concerning school districts in their  
33 legislative districts.

34 Sec. 3. Section 257.31, subsection 5, unnumbered paragraph  
35 1, Code Supplement 2009, is amended to read as follows:

1 If a district has unusual circumstances, creating an unusual  
2 need for additional funds, including but not limited to the  
3 ~~following~~ circumstances enumerated in paragraphs "a" through  
4 "n", the committee may grant supplemental aid to the district  
5 from any funds appropriated to the department of education  
6 for the use of the school budget review committee for the  
7 purposes of this subsection, ~~and such.~~ The school budget  
8 review committee shall review a school district's unexpended  
9 fund balance prior to any decision regarding unusual finance  
10 circumstances. Such aid shall be miscellaneous income and  
11 shall not be included in district cost, ~~or.~~ In addition  
12 to or as an alternative to granting supplemental aid the  
13 committee may establish a modified allowable growth for the  
14 district by increasing its allowable growth, ~~or both.~~ The  
15 school budget review committee shall review a school district's  
16 unspent balance prior to any decision to increase modified  
17 allowable growth under this subsection.

18 Sec. 4. Section 257.31, subsection 7, paragraph a,  
19 unnumbered paragraph 1, Code Supplement 2009, is amended to  
20 read as follows:

21 The committee may authorize a district to spend a reasonable  
22 and specified amount from its unexpended ~~cash~~ fund balance for  
23 the following purposes:

24 Sec. 5. Section 257.31, subsection 7, paragraph b, Code  
25 Supplement 2009, is amended to read as follows:

26 *b.* Other expenditures, including but not limited to  
27 expenditures for salaries or recurring costs, are not  
28 authorized under this subsection. Expenditures authorized  
29 under this subsection shall not be included in allowable  
30 growth or district cost, and the portion of the unexpended  
31 ~~cash~~ fund balance which is authorized to be spent shall be  
32 regarded as if it were miscellaneous income. Any part of  
33 the amount not actually spent for the authorized purpose  
34 shall revert to its former status as part of the unexpended  
35 ~~cash~~ fund balance.

1     Sec. 6. Section 257.31, subsection 14, paragraph b,  
2 subparagraph (3), Code Supplement 2009, is amended to read as  
3 follows:

4     (3) A school district is only eligible to receive  
5 supplemental aid payments during the budget year if the school  
6 district certifies to the school budget review committee  
7 that for the year following the budget year it will notify  
8 the school budget review committee to instruct the director  
9 of the department of management to increase the district's  
10 allowable growth and will fund the allowable growth increase  
11 either by using moneys from its unexpended ~~cash~~ fund balance  
12 to reduce the district's property tax levy or by using cash  
13 reserve moneys to equal the amount of the deficit that would  
14 have been property taxes and any part of the state aid portion  
15 of the deficit not received as supplemental aid under this  
16 subsection. The director of the department of management shall  
17 make the necessary adjustments to the school district's budget  
18 to provide the modified allowable growth and shall make the  
19 supplemental aid payments.

20     Sec. 7. Section 298.10, Code Supplement 2009, is amended by  
21 adding the following new subsection:

22     NEW SUBSECTION. 1A. For fiscal years beginning on or after  
23 July 1, 2010, a school district's unexpended fund balance, as  
24 defined in section 257.2, shall not be an excessive amount  
25 as determined by the school budget review committee. If  
26 the school budget review committee determines that a school  
27 district's unexpended fund balance is an amount in excess  
28 of the amount necessary for operations, the school budget  
29 review committee shall direct the school district to use the  
30 unexpended fund balance in lieu of levying additional property  
31 taxes.

32     Sec. 8. Section 298.10, subsection 2, Code Supplement 2009,  
33 is amended to read as follows:

34     2. For fiscal years beginning on or after July 1, 2012, the  
35 cash reserve levy for a budget year shall not exceed twenty

1 percent of the general fund expenditures for the year previous  
2 to the base year minus the ~~general fund~~ unexpended fund  
3 balance, as defined in section 257.2, for the year previous to  
4 the base year.

5

EXPLANATION

6 This bill requires that a school district spend down its  
7 unexpended fund balance to a level determined by the school  
8 board review committee before levying additional property taxes  
9 to raise funds.

10 The bill defines "unexpended fund balance" in Code section  
11 257.2. References to "unexpended cash balance" are changed to  
12 "unexpended fund balance" in Code chapter 257.

13 The number of members on the school budget review committee  
14 (SBRC) who are knowledgeable in the areas of Iowa school  
15 finance or public finance issues is increased from three to  
16 four and the director of the department of education is made an  
17 ex officio, nonvoting member in Code section 257.30.

18 The bill amends Code sections 257.31 and 298.10 to provide  
19 that the SBRC shall review a school district's unexpended fund  
20 balance upon a school district's request for supplemental  
21 aid due to an unusual financial circumstance. If the SBRC  
22 determines the school district's unexpended fund balance is  
23 excessive, the school district must use those funds prior to  
24 levying additional property taxes. The bill provides that the  
25 SBRC shall also review a school district's unspent balance  
26 before increasing its modified allowable growth.